

GOODS & SERVICES TAX / IDT UPDATE - 106

Recommendations of the 42nd GST Council Meeting

The 42nd GST Council at its meeting held on 5th October 2020, has made the following recommendations:

- Levy of Compensation Cess to be extended beyond the transition period of five years i.e. beyond June 2022, for such period as may be required to meet the revenue gap.
- **Enhancement in features of return filing:** With a view to **enhance Ease of Doing Business and improve the compliance experience**, the Council has approved the future roadmap for return filing under GST. The **approved framework aims to simplify return filing and further reduce the taxpayer's compliance burden significantly**, such that the timely furnishing of details of outward supplies (GSTR-1) by a taxpayer and his suppliers would –
 - (i) allow him to view the ITC available in his electronic credit ledger from all sources i.e. domestic supplies, imports and payments on reverse charge etc. prior to the due date for payment of tax, and
 - (ii) enable the system to auto-populate return (GSTR-3B) through the data filed by the taxpayer and all his suppliers. In other words, the timely filing of GSTR-1 statement alone would be sufficient as the return in FORM GSTR-3B would get auto prepared on the common portal.
- To this end the Council recommended / decided the following:
 - a. **Due date of furnishing quarterly GSTR-1 by quarterly taxpayers to be revised to 13th of the month succeeding the quarter w.e.f. 01.1.2021;**
 - b. Roadmap for **auto-generation of GSTR-3B from GSTR-1s** by:
 - Auto-population of liability from own GSTR-1 **w.e.f. 01.01.2021;** and
 - Auto-population of input tax credit from suppliers' GSTR-1s through the newly developed facility in FORM GSTR-2B for monthly filers **w.e.f. 01.01.2021** and for quarterly filers **w.e.f. 01.04.2021;**
 - c. In order to ensure auto population of ITC and liability in GSTR 3B as detailed above, **FORM GSTR 1** would be mandatorily required to be filed before **FORM GSTR-3B** w.e.f. 01.04.2021.
 - d. **The present GSTR-1/3B return filing system to be extended till 31.03.2021** and the GST laws to be amended to make the GSTR-1/3B return filing system as the default return filing system.
- As a further step towards reducing the compliance burden particularly on the small taxpayers having **aggregate annual turnover < Rs. 5 cr.**, the Council's earlier recommendation of allowing filing of returns on a quarterly basis with monthly payments by such taxpayers to be implemented **w.e.f. 01.01.2021**. Such quarterly taxpayers would, for the first two months of the quarter, have an option to pay 35% of

the net cash tax liability of the last quarter using an auto generated challan.

- **Revised requirement of declaring HSN for goods and SAC for services** in invoices and in FORM GSTR-1 w.e.f. **01.04.2021** are as under:
 - HSN/SAC at 6 digits for supplies of both goods and services for taxpayers with aggregate annual turnover above Rs. 5 crores;
 - HSN/SAC at 4 digits for B2B supplies of both goods and services for taxpayers with aggregate annual turnover upto Rs. 5 crores;
 - Government to have power to notify 8 digit HSN on notified class of supplies by all taxpayers.
- **Amendment to the CGST Rules:** Various amendments in the CGST Rules and FORMS have been recommended which includes provision for furnishing of Nil **FORM CMP-08** through SMS.
- Refund to be paid/disbursed in a validated bank account linked with the PAN & Aadhaar of the registrant w.e.f. 01.01.2021.
- To encourage domestic launching of satellites particularly by young start-ups, the satellite launch services supplied by ISRO, Antrix Corporation Ltd. and NSIL would be exempted.

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Extension of due date of Annual Return & Reconciliation Statement for the FY 2018-19

CBIC vide [Notification No. 69/2020- Central Tax dated 30th September, 2020](#) has **extended the time limit** for furnishing of the Annual Return in **Form GSTR-9** and Reconciliation Statement in **Form GSTR- 9C** specified under section 44 of the CGST Act read with Rule 80 of the CGST Rules, electronically through the common portal, **for the financial year 2018-2019 till the 31st October, 2020** from 30th September, 2020 as stipulated in [Notification No. 41/2020- Central Tax dated 5th May 2020](#).

[\[Notification No. 69/2020- Central Tax dated 30th September, 2020\]](#)

Horizon of applicability of E-invoicing widened

The Central Government vide has substituted **“a financial year”** to **“any preceding financial year from 2017-18 onwards”** and **“goods or services or both to a registered person”** to **“goods or services or both to a registered person or for exports”** as given at Notification No.13/2020-Central Tax dated 21th March, 2020.

Thereby, E-invoicing is now applicable to registered person having turnover exceeding five hundred crore rupees in any preceding financial year from financial year 2017-18 and E-invoice shall be generated for export transactions as well.

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Extension in date of implementation of the Dynamic QR Code for B2C invoices

The Central Government vide [Notification No. 71/2020-Central Tax dated 30th September, 2020](#) has amended Notification No.14/2020 – Central Tax, dated the 21st March, 2020 to:-

- **defer the date of implementation of Dynamic Quick Response (QR) code on B2C invoices to 1st December, 2020** from earlier notified date 1st October, 2020
- **make it applicable for those registered persons** (subject to exceptions as referred to in the Notification No.14/2020) **whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds five hundred crore rupees.**

[Notification No. 71/2020-Central Tax dated 30th September, 2020]

Amendment in the CGST Rules

The Central Government vide [Notification No. 72/2020-Central Tax dated 30th September, 2020](#) read with [Corrigendum dated 1st October, 2020 to Notification No. 72/2020-Central Tax dated 30th September, 2020](#) has made the following amendments in the CGST Rules:,2017-

- **Insertion of New clause 46(r) :-** to mention **Quick Response (QR) code having embedded Invoice Reference Number (IRN) in it, in case invoice has been issued in the manner prescribed under sub-rule (4) of rule 48,** in a tax invoice referred to in section 31 to be issued by the registered person..
- **Insertion of proviso in Rule 48(4) :-** To empower the Commissioner to exempt a person or a class of registered persons from issuance of E-invoice for a specified period, subject to such conditions and restrictions as may be specified in the notification, on the recommendations of the Council, by notification.
- **Substitution of sub-rule (2) in rule 138A:-** to provide that - in case of issuance of E-invoice, **Quick Response (QR) code having an embedded Invoice Reference Number (IRN) in it, may be produced electronically, for verification by the proper officer in lieu of the physical copy of such tax invoice**

[Notification No. 72/2020-Central Tax dated 30th September, 2020 read with Corrigendum dated 1st October, 2020 to Notification No. 72/2020-Central Tax dated 30th September, 2020]

**Special procedure notified for taxpayers for issuance of E-invoices in the period
01.10.2020 - 31.10.2020**

The Central Government vide [Notification No. 73/2020-Central Tax dated 1st October, 2020](#), has notified that **the registered persons who are required to prepare E-Invoice** as

per Rule 48(4) of the CGST Rules,2017 but have prepared tax invoice in a manner other than the said manner, shall **during the period from 1st October, 2020 to 31st October, 2020, shall obtain an Invoice Reference Number (IRN) for such invoice by uploading specified particulars in FORM GST INV-01** on the Common Goods and Services Tax Electronic Portal, **within 30 days from the date of such invoice**, failing which the same shall not be treated as an invoice.

[Notification No. 73/2020-Central Tax dated 1st October, 2020]

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